

Message Text

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ACTION TRSE-00

INFO OCT-01 EUR-12 ISO-00 L-02 AGR-05 AID-05 CIAE-00

COME-00 EB-04 FRB-01 INR-05 NSAE-00 RSC-01 XMB-02

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FM AMEMBASSY WARSAW

TO SECSTATE WASHDC PRIORITY 2196

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PASS TREASURY FOR PARISKY

E.O. 11652: N/A

TAGS: EFIN, PL

SUBJECT: PL-480 DEBT DEFERRAL TALKS: ANNUITANTS' AGREEMENT

REF WARSAW 6877

1. FOLLOWING THE ANNOUNCEMENT OF THE IMPENDING CHANGE IN THE PKO REPURCHASE RELATIONSHIP (REFTEL), THE AMBASSADOR AND EMBASSY OFFICERS MET WITH FIRST VICE MINISTER AND FINANCE KRZAK. KRZAK ASSURED US THAT THIS STEP WOULD HAVE NO EFFECT ON THE PAYMENT OF THE ZLOTY PORTION OF ANNUITANTS' CHECKS AT THE RATE OF 60 ZLOTYS TO THE DOLLAR. ALTHOUGH THE PKO COMMUNIQUE DID NOT EXPLAIN THIS PUBLICLY, HE SAID, NOTIECS THAT THE 60-1 RATE WOULD BE MAINTAINED FOR AMERICAN ANNUITANTS HAVE BEEN POSTED IN PKO BANKS. (A CONSULTANT TO THE PKO BOARD OF DIRECTORS TOLD UST THAT BANK PKO HAD RECEIVED A DIRECTIVE FROM MINISTER KRZAK INSTRUCTING THE BANK TO MAINTAIN THE 60-1 RATE FOR AMERICAN ANNUITANTS INDEFINITELY BEYOND JANUARY 1). KRZAK SAID THAT THE ANNOUNCEMENT OF THE NEW RELATIONSHIP WAS NOT TIED TO LIMITED OFFICIAL USE

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THE UPCOMING TALKS. TIMING OF THE ANNOUNCEMENT HAD

BEEN DETERMINED BY THE NEED TO NOTIFY OVERSEAS POLES, RESPONSIBLE FOR MOST REMITTANCES TO POLAND, OF THE IMPENDING CHANGE.

2. KRZAK THEN EXPRESSED HIS DISMAY AT THE U.S. PROPOSAL FOR REVISION OF THE ANNUITANTS' AGREEMENT. HE SAID HE UNDERSTOOD THAT THE FINAL SENTENCE OF THE MEMORANDUM HE HAD RECEIVED FROM PARSKY IN SEPTEMBER, CALLING FOR CONTINUED USE OF THE PKO REPURCHASE RELATIONSHIP IN PAYING THE ZLOTY PORTION OF THE VOUCHER, MEANT IN FACT CONTINUED USE OF THE 60-1 RATE. WE ASSURED HIM THAT THIS WAS AN ACCURATE READING OF OUR POSITION. (NOTE: THE EMBASSY HAS NOT RECEIVED A COPY OF THIS MEMORANDUM.) KRZAK SAID THAT THIS WAS UNACCEPTABLE.

3. KRZAK EXPLAINED THAT THE POLISH PROBLEM WAS ESSENTIALLY POLITICAL. POLAND HAS AGREEMENTS ON PENSIONS WITH A NUMBER OF COUNTRIES, SUCH AS FRANCE AND BELGIUM, WHICH PERMIT THE PAYMENT OF ANNUITIES THROUGH THE POLISH SOCIAL INSURANCE INSTITUTION AT 30 ZLOTYS TO THE DOLLAR. PENSIONERS FROM COUNTRIES WITH WHICH POLAND HAS NO AGREEMENT RECEIVE ONLY THE "SPECIAL RATE" OF 19.92 ZLOTYS TO THE DOLLAR. NEITHER GROUP RECEIVES ANY PAYMENT IN PKO COUPONS OR CONVERTIBLE CURRENCY. THESE PENSIONERS AND THEIR GOVERNMENTS CONTINUALLY RAISE THE MATTER OF THE PRIVILEGED POSITION OF THE AMERICANS WITH POLISH AUTHORITIES. NOW, THE GOP CAN ANSWER THESE COMPLAINTS BY CITING THE SPECIAL ARRANGEMENTS OF THE U.S.-POLISH AGREEMENT AND THE PL-480. LOAN. IF THE NEW US PROPOSAL IS ACCEPTED, HOWEVER, THIS ARGUMENT WOULD BE UNDERCUT AND THERE WOULD BE A "SCANDAL ON A COSMIC SCALE". ALTHOUGH HE RECOGNIZED THE BENEFIT TO POLAND OF INCREASED DOLLAR REVENUES UNDER THE US PROPOSAL, HE SAID POLAND WOULD RATHER DO WITHOUT THE MONEY AND AVOID THE ENORMOUS AND SERIOUS PROBLEMS THE US PROPOSAL WOULD CREATE.

4. KRZAK SAID POLAND MUCH PREFERS TO LEAVE THE EXISTING AGREEMENT UNCHANGED. HE SAW NO VIRTUE IN LINKING DEFERRAL TO REVISION OF THE ANNUITANTS' AGREEMENT. HE LIMITED OFFICIAL USE

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SAID THAT POLAND HAS NO COUNTER-PROPOSAL, ALTHOUGH HE REALIZED THAT WHEN THE US-OWNED ZLOTYS ARE EXHAUSTED SOME NEW ARRANGEMENT WOULD HAVE TO BE FOUND. POLAND IS INTERESTED IN ATTRACTING MORE AMERICAN PENSIONERS AND WILL ALWAYS MAINTAIN ADVANTAGEOUS CONDITIONS FOR THEM, HE SAID.

5. COMMENT: THERE IS NO DOUBT THAT THE PROBLEMS THE

PLES SEE IN ACCEPTANCE OF THE US PROPOSAL ARE GENUINE.
ALTHOUGH WE MIGHT BE ABLE TO FIND A SOLUTION BASED ON
THE US PROPOSAL BUT SPECIFYING A RATE OF PAYMENT
BELOW 60-1, ANY SHARP REDUCTION IN BENEFITS WOULD LOWER
THE STANDARD OF LIVING AND PROVOKE THE OUTRAGE OF THE
COMMUNITY OF AMERICAN ANNUITANTS IN POLAND, WHICH NOW
NUMBERS WELL OVER 3,000 PERSONS. ALTERNATIVELY, WE
MIGHT CONSIDER REDRAFTING OUR PROPOSAL TO INCLUDE SOME
REDUCED BUT STILL SIGNIFICANT MEASURE OF SUPPORT FROM
US OWNED ZLOTYS DUE FOR REPURCHASE IN THE 1980'S
SUCH A PROPOSAL MIGHT STILL PROVIDE THE GOP WITH THE
ARGUMENTS IT NEEDS TO DEAL WITH NON-AMERICAN PENSIONERS
WHILE GIVEING BOTH THE GOP AND THE USG THE MUTUAL
BENEFITS OF LARGER DIRECT-DOLLAR PAYMENTS.
DAVIES

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